

Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

COME-00 DOTE-00 EB-07 FMC-01 SAL-01 CG-00 DLOS-06

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P 122351Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW PRIORITY

C O N F I D E N T I A L STATE 201153

E.O. 11652: GDS

TAGS: EWWT, US, UR

SUBJECT: US-SOVIET EXCHANGE OF NON-PAPER ON THE THIRD
FLAG RATE PROBLEM

1. ON AUGUST 11, ACTING ASSISTANT SECRETARY ARMITAGE
CALLED ON THE SOVIET CHARGE (VORONTSOV) TO GIVE HIM A
REPLY TO A 'NON-PAPER' WHICH AMBASSADOR DOBRYNIN HAD LEFT
WITH THE SECRETARY ON JULY 21. IN THEIR NON-PAPER OV ETS
HAD EXPRESSED CONCERN OVER T E T D-FLAG RATE LEGISLATION
PENDING IN CONGRESS.

2. ARMITAGE POINTED OUT THAT THE PROPOSED LEGISLATION WAS
NOT DISCRIMINATORY. HE SAID THAT AN ADJUSTMENT OF SOVIET
RATES WOULD BE A STEP TOWARD SOLVING THE PROBLEM.

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3. VORONTSOV REPLIED THAT PASSAGE OF SUCH LEGISLATION
COULD LEAD TO RETALIATION, E.G., EXCLUSION OF US VESSELS

FROM SOVIET PORTS. HE SAID THE BASIC PROBLEM IS THAT US
FLAG CARRIER EXPECT HIGER RATE THAN T O"E OF OTHER
COUNTRIES. 'YOUR SHIPOWNERS ARE A BIT TOO GREEDY.
ARMITAGE REPLIED THAT A NUMBER OF OTHER COUNTRIES ARE ALSO
WORRIED ABOUT SOVIET RATES. SOVIET MARITIME ATTACH-
DZHAVAD, 'HO ACCOMPANIED VORONT"OV, THEN AID THAT THE

MEMORANDUM AGREEMENT SIGNED BY AVERIN AND FMC CHAIRMAN
OAKKE HAD ELIMINATED THE PROBLEM HICH THE LEGISLATION
IS DESIGNED TO DEAL WITH. ARMITAGE SAID THIS WAS NOT SO.
WERE NOW WAITING TO SEE WHAT ACTIONS THE SOVIETS TAKE
ON SHIPPING RATES.

4. THE TEXT" OF THE SOVIET NON-PAPER, AND OF THE US REPLY,
FOLLOW.

SOVIET NON-PAPER.

BEGIN TEXT.

MOSCOW HAS PAID ATTENTION TO THE BILL NOW UNDER DISCUSSION
IN THE CONGRESS, 'HICH CONCERNS FOREIGN STATE-OWNED MER-
CHANT VESSELS TAKING PART IN THE TRANSPORTATION OF CARGOES
TO AND FROM THE US PORTS.

JUDGING BY THE CONTENTS OF THE PUOLISHED BILL, ITS
PROVISIONS ARE AIMED FIRST OF ALL AGAINST THE ENTERPRISES
OF THE SOVIET MERCHANT MARINE FOR HICH UNEQUAL TREATMENT
WOULD BE ESTABLISHED WITH REGARD TO THE PARTICIPATION IN
THE SAID TRANSPORTATION OF CARGOES.

THE ENACTMENT OF SUCH MEASURES OULD NOT CORRESPOND TO THE
GENERAL COURSE IN THE SOVIET-US RELATIONS TAKEN JOINTLY
BY OUR TWO COUNTRIE IN THE RECENT YEARS, TO THE SPIRIT
AND SUPSTANCE OF THE AGREEMENTS AND ARRANGEMENTS ACHIEVED
PETWEEN US. IT IS QUITE OBVIOUS THAT THIS OULD ALSO
FURTHER COMPLICATE THE SITUATION IN THE FIELD OF TRADE AND
ECONOMIC RELATIONS BETWEEN T'E SOVIET UNION AND THE UNITED
STATED, HICH HAVE ALREADY BEEN DAMAGED AS A RESULT OF THE
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ADOPTION IN THE UNITED STATES OF TRADE LEGISLATION DIS-
CRIMINATORY TO THE SOVIET UNION. NEITHER DO THE SAID
MEASURES CONFORM TO THE PROVISIONS OF THE FINAL ACT OF THE
CONFERENCE ON SECURITY AND COOPERATION IN EUROPE IN WHICH
THE PARTICIPATING STATES PRONOUNCED THEMSELVES IN FAVOUR
OF EXPANDING COOPERATION IN THE FIELD OF TRADE, OF
REMOVING ALL KINDS OF OBSTACLES IN THE WAY OF THE DEVELOP-
MENT OF TRADE AND ECONOMIC TIES.

IT IS HOPED IN MOSCOW THAT THE US SIDE WILL SHOW DUE UNDER-

STANDING OF THE MOTIVES UNDERLYING OUR RAISING THIS
QUESTION AND THAT STEPS WILL BE TAKEN TO PREVENT ACTIONS
WHICH COULD ONLY COMPLICATE OUR RELATIONS.

US FEPLY.

EGIN TEXT.

THE CONTENTION IN YOUR COMMUNICATION OF JULY 21 THAT LEGIS-
LATION ON FREIGHT RATES NOW PENDING IN CONGRESS IS DESIGNED
TO ESTABLISH "UNEQUAL TREATMENT" FOR THE SOVIET MERCHANT
MARINE DOES NOT CORRESPOND TO THE ACTUAL SITUATION. THE
LEGISLATION AS CURRENTLY DRAFTED WOULD APPLY WITH EQUAL
FORCE TO MORE THAN FORTY OTHER COUNTRIES WHOSE VESSELS
CALL OR HAVE CALLED AT U.S. PORTS.

THE LEGISLATION WAS INTRODUCED BECAUSE OF DEEP CONCERN IN
THE CONGRESS AND U.S. SHIPPING INDUSTRY OVER THE MANNER IN
WHICH STATE-CONTROLLED CARRIERS HAVE SET FREIGHT RATES IN
THE U.S. AND OTHER TRADES. CONGRESSIONAL AND PUBLIC
ATTENTION HAS BEEN FOCUSED ON THE SOVIET UNION BECAUSE OF
THE SIGNIFICANT IMPACT ON RATES OF ITS LARGE AND GROWING
MERCHANT MARINE.

SATISFACTORY ADJUSTMENT OF RATES CHARGED BY SOVIET CARRIERS
AND THE MANNER IN WHICH THOSE CARRIERS PARTICIPATE IN OUR
TRADES WILL MOST LIKELY ALLEVIATE THE DEEP CONCERN OF THE
INDUSTRY, THE CONGRESS, AND THE ADMINISTRATION. RESOLUTION
OF THESE ISSUES WILL ALSO ENHANCE THE POSSIBILITIES FOR
DEVELOPING OUR TRADE RELATIONS ON AN EQUITABLE BASIS AND
WILL THUS CONTINUE THE PROGRESS WHICH WE HAVE MADE IN
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RECENT YEARS. END TEXT. KISSINGER

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